Tab A

INTERIM
Indian Health Care Improvement Fund (IHCIF) Methodology for FY 2000

This tab summarizes adaptations to the actuarial model to apply to 180 separate units within the Indian health systems. An interim formula based on these results is used to allocate $9 million of FY 2000 IHCIF appropriation . $1 million is allocated with the CHS formula. The IHCIF formula is substantially based on recommendations of the Level of Need Funded (LNF) Workgroup and after considering tribal comment. In the coming months, the Workgroup will working to improve certain data and features of this methodology consistent with tribal comments. We anticipate adopting a final IHCIF formula beginning in FY 2001 after additional consultation.

August, 2000

Elements in IHCIF

Element	Rationale
$2,980 Per User Benchmark	• Baseline actuarial forecast cost per user for personal health care services comparable to a mainstream health plan
Size Adjustment	• Small size → less efficient → more than $2,980 • Large size → more efficient → less than $2,980
Price Adjustment	• Lower prices → less than $2,980 • Higher prices → more than $2,980
Health Status Adjustment	• Worse → more services → more than $2,980 • Better → less services → less than $2,980
- $745 Per User Other Coverage	• Less estimate based on survey in IHS service areas of other coverage
Net Cost Per User (Need)	• ($2,980 +- local adjustments) less $745 Other Coverage
Available IHS $ Per User	• Local IHS $ + a portion of area and IHS wide $ • Less funds used for “wrap-around” programs
LNF Percentage	• Available $ / Needed $: (IHS $ per user) / (Net cost per user)
Funding Deficiency	• Users X (Net Cost per user – Available IHS $ per user)

Funds Needed for a local unit: (actuarial cost of a mainstream benefits package)

Add or Subtract Adjustments

+- $ for Local Unit Size

+- $ for Local Prices

+- $ for Local Health Status

*All 3 adjustments are **equally** weighted at 100% of the variation as measured among local units in each index*

$2,980 per user Benchmark

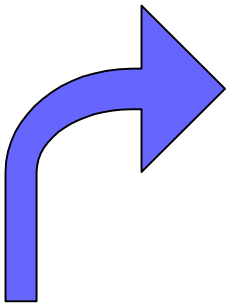
= Net Cost per user

- $745 Other Coverage

Less the average of other coverage $

IHS Funds Available

Add $ benefiting unit from

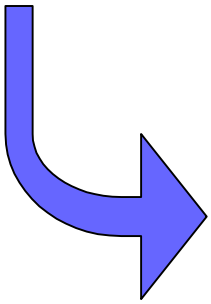


\+ $ from Area-wide Programs

\+ $ from IHS-wide Programs

Local Unit Budget from IHS $

= Net $ Available (per user)



\- $ used for "wrap-around" services

Less $ not used for a mainstream benefits package

LNF Percentage and Funding Inadequacy

There are 3 useful measures of funding inadequacy:

- *LNF percentage expresses current funding as cents on a dollar*
- *$ deficiency per user expresses the difference in $ needed per user*
- *$ deficiency for local unit expresses the total $ needed to fully pay for costs of a mainstream benefits package*

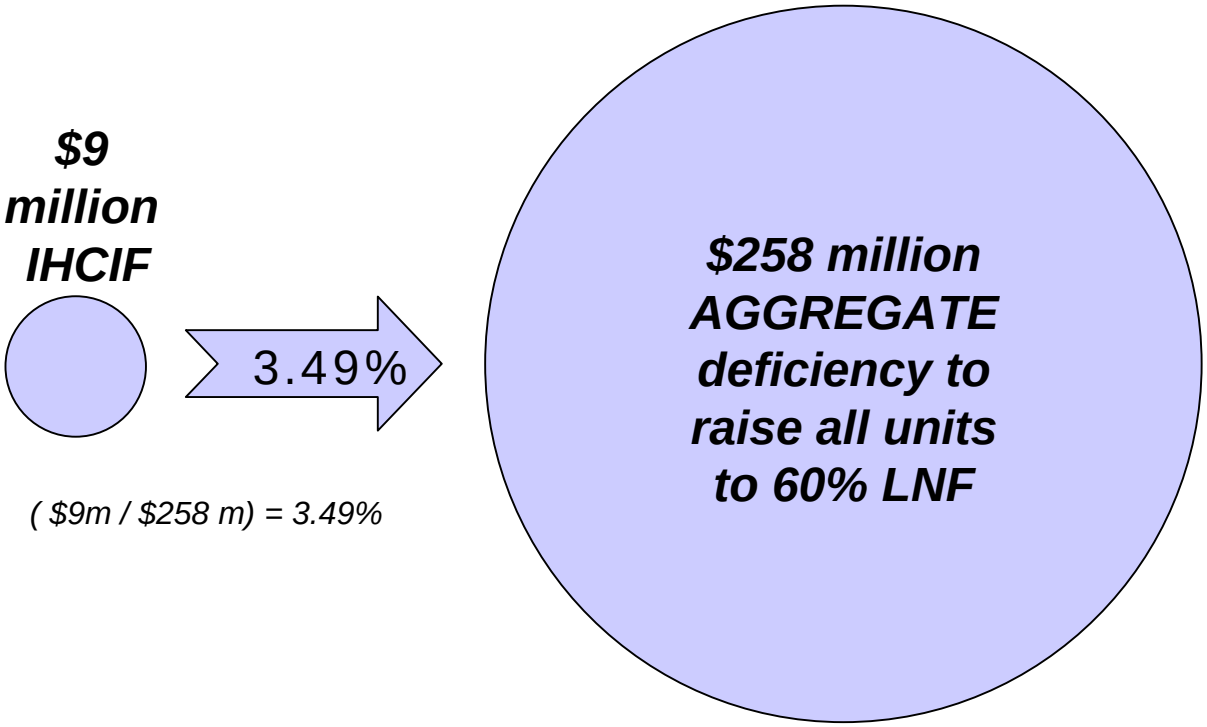
$$\frac{\text{Net \$ Available (per user)}}{\text{Net Cost per user}} \times 100 = \text{LNF \%}$$

To calculate $ deficiency for different levels of LNF, first multiply the local net cost per user by the target LNF % (i.e., a target of 100% gives the deficiency for full funding, 60% gives the deficiency needed to raise funding to the IHS average of 60%.

$$\text{Target LNF\%} \times \text{Net Cost per user} - \text{Net \$ Available (per user)} = \text{\$ Deficiency per user}$$

$$\text{\$ Deficiency per user} \times \text{Local User Count} = \text{\$ Deficiency for Local Unit}$$

IHCIF Distribution Formula



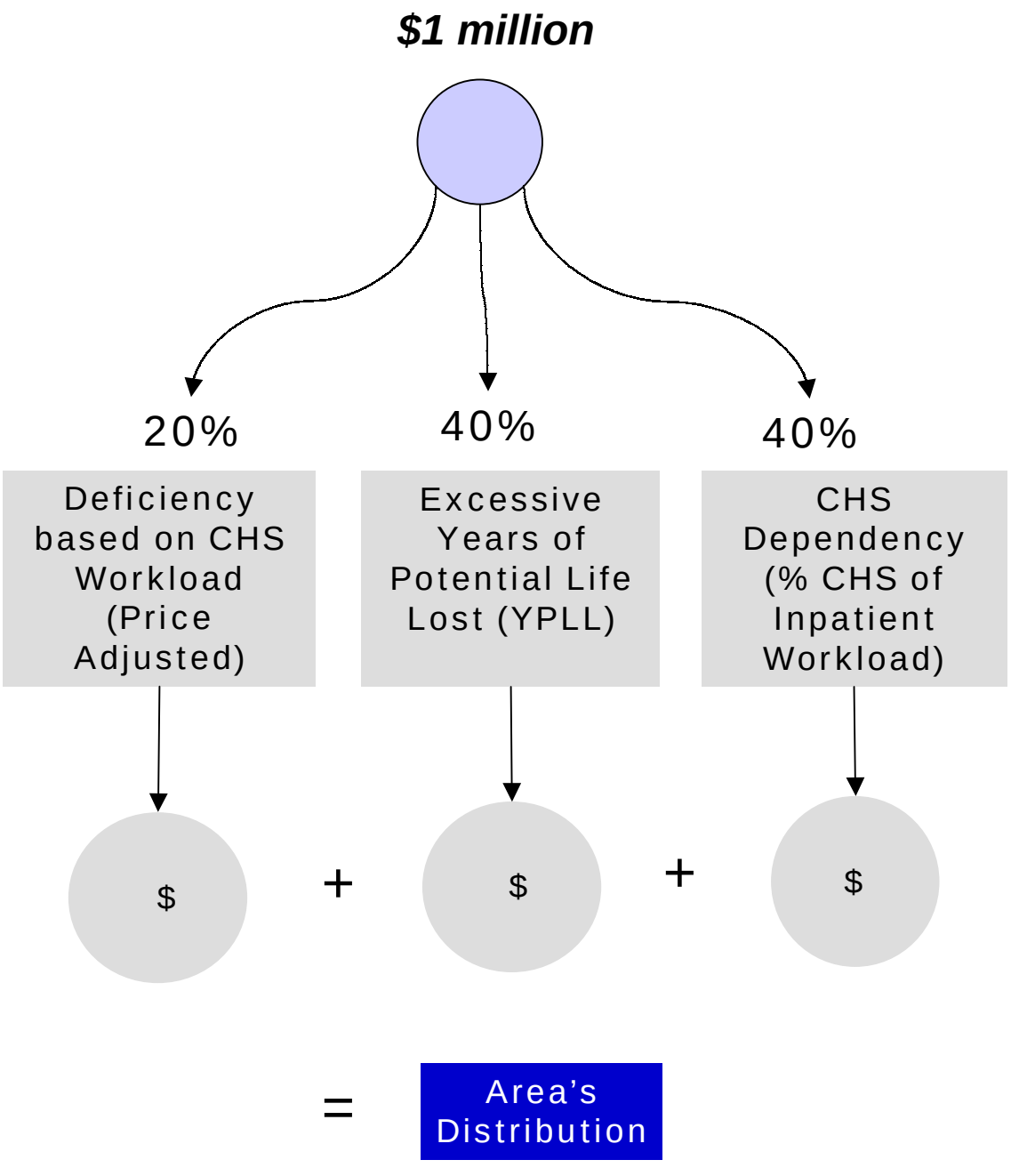
($9m / $258 m) = 3.49%

Local Unit's $ Deficiency **X** 3.49% of Aggregate $ Deficiency **=** Local Unit's IHCIF Distribution

@ 60% Target LNF

The target LNF is set at 60% because 60% is approximately the IHS average. This distributes limited IHCIF $ to the most needy units in the Indian health system.

CHS Distribution Formula



CHS formula has no local level data and identifies 1 amount for each area. Areas, in turn, must distribute to local level field units.